

RUBY-SPEARS ENTERPRISES, INC.

3255 Cahuenga Boulevard
Hollywood, California 91602
(213) 874-5100

BY MESSENGER

as of March 31, 1983

Harriet Beck
DIRECTOR
BUSINESS AFFAIRS

Mr. Arnold-Shane
Director of Business Affairs
Universal City Studios, Inc.
100 Universal City Plaza
Universal City, CA 91608



Re: "Donkey Kong"

Dear Arnold:

This letter shall briefly confirm the agreement we have reached with respect to a covenant-not-to-sue and the production and distribution of our animated television series based upon the characters contained in the above referenced video game.

A. We are aware that Universal City Studios, Inc. ("Universal") has filed an action against Nintendo Co., Ltd. and Nintendo of America, Inc., and that Universal alleges, among other things, in its complaint in such action that the characters and format of the video game "Donkey Kong" manufactured, distributed and sold by such defendants infringe upon the property and trademark rights of Universal in and to the name, title, character and story "KING KONG". In consideration of the sums payable to you hereunder, you covenant and agree to forever refrain and forebear from commencing, instituting or prosecuting any lawsuit, action or other proceeding against Ruby-Spears Enterprises, Inc., the Taft Entertainment Company, or any parent, affiliate, subsidiary or licensee thereof, arising out of or resulting from the claim that the production, distribution or exploitation of animated television programs based upon the video game "Donkey Kong" violates or infringes upon the property or trademark rights of Universal in or to the name, title, character or story "KING KONG".

The covenant entered into hereunder shall be coterminous with and limited to the license agreement between Ruby-Spears and the CBS television network for the production of animated television programs based upon "Donkey Kong", and any extensions and/or renewals thereof, plus an additional selling season after the expiration or termination of such agreement within which to

relicense to either CBS or another network for new production of animated television programs. In the event such new network order is obtained by Ruby-Spears, then the term of the aforementioned covenant shall be extended to equal the term of such new network agreement or any extensions and/or renewals thereof. In any event, the covenant entered into hereunder shall be perpetual with respect to any programs produced pursuant to the network license agreement or agreements referred to above.

Any network license agreement entered into shall provide for, at a minimum, the standard contract order pattern for weekend daytime series programming and a guaranteed initial order of 13 new programs for the first broadcast season.

B. We agree to pay to you the following sums:

(1) Series. We shall pay you the sum of Seven Thousand Five Hundred Dollars (\$7,500) for each thirty (30) minute series episode. For any episode less than or more than thirty (30) minutes in length, the sum payable to you shall be pro-rated based upon such thirty (30) minutes episode rate.

(2) Specials. We shall pay to you the sum of Ten Thousand Dollars (\$10,000) for each thirty (30) minute special. For any special less than or more than thirty (30) minutes in length the sum payable to you shall be prorated based upon such thirty (30) minute rate.

(3) Reruns. The initial sum payable to you based upon the foregoing would entitle us to the number of reruns called for under the initial network order. After recoupment of our production deficits, if any, additional paid network reruns permitted under the initial network agreement over and above those called for under the initial payment to you would be compensated to you at ten percent (10%) of the license fee received by us for any such additional run.

The sums payable to you hereunder shall be increased from year to year, if at all, in the same percentage of increase in license fee received by us, if any.

C. You shall distribute the programs produced off-network throughout the world in perpetuity in all media and forms including, but not limited to pay television, cable television, videodiscs and/or cassettes, on the following terms and for the following fees. After deduction of your costs and fees as set forth below, you shall remit the balance of all

monies received by you to us. ("Company" shall refer to you.) Notwithstanding the foregoing, Nintendo has granted no Japanese distribution rights and the programs distributed by Company shall not be distributed in the territory of Japan.

1. Gross Receipts means any monies actually received by Distributor or sub-distributor, from the distribution or other exploitation of the Photoplays (including any monies actually recovered by Distributor from third parties for infringement of Distributor's rights in the Photoplays), less any monies derived by Distributor from commercial material or advertising matter used in or in connection with any Photoplay, and less a sum equal to the total of the following:

(i) Any monies paid to Distributor and thereafter refunded (and if any such monies have been included in computing any sums paid Producer, such payment shall be deemed an overpayment); and

(ii) any monies in the nature of advances, security, or deposits which are subject to refund, unless and until received by Distributor and to be retained by it for its sole benefit absolutely and unconditionally.

Any amounts received by Distributor in foreign funds shall not be considered gross receipts hereunder unless and until the same shall have been actually received in the United States in United States currency by Distributor less any discounts, losses, costs or expenses suffered or imposed upon Distributor with respect to transmittal of such money to the United States and the conversion thereof to United States currency; provided, however, any such funds shall be credited to Gross Receipts hereunder in the event such funds are credited and/or used by Distributor or for Distributor's benefit anywhere in the world. however, if Producer so requests in writing, Distributor shall disposit to Producer's account, in a foreign depository to be designated by Producer, that portion of any foreign funds not received in the U.S. to which Producer may be entitled hereunder, if Distributor may make the deposit under applicable U.S. and foreign laws, rules, regulations and the like, and subject to payment by Producer of all costs and expenses incurred by Distributor in connection with the deposit.

No gross receipts of a sub-distributor shall be deemed gross receipts hereunder if Distributor fails for any reason actually to receive payment of Distributor's share thereof, and Distributor shall not charge its distribution charges on such sums which are not included in gross receipts.

2. Distribution Fees shall mean the actual fees paid to third parties or, if Company performs the sales itself, the following percentages of Gross Receipts, which shall include any fees payable to sub-distributors, relating to the series:

A. Television (including cable and pay TV)

- (1) 20% - from other licenses to ABC, CBS or NBC;
- (2) 25% - from licenses to Canadian national network (CBC, CTV or GLOBAL);
- (3) 35% - from all other U.S. licenses other than covered by (1) or (2) above;
- (4) 40% - from all licenses other than those listed in the preceding subparagraphs.

al B. 40% - from the exploitation of other uses of the series not otherwise covered specifically herein. Company will absorb out of its 40% fees^{all fees} and commissions to third parties for services and its costs in connection with the exploitation of such rights (but not payments to talents, writers, or other similar participants).

C. Theatrical - 30% from licensing the exhibition of the series in theatres in the U.S. and Canada, and 35% elsewhere throughout the world.

3. Distribution Expenses shall include all costs and expenses of distribution and exploitation of the series, or which are customarily treated as deductible expenses in the television industry, including, without limitation, the following:

A. "Print costs", which include the cost of release prints, duped and dubbed negatives, soundtracks, tapes, cart- and facilities, together with reels, cans, containers, and including inspecting, repairing and renovating, packing, storing, shipping, insuring and all other such costs connected with the distribution of the series.

B. All costs of advertising, publicizing, exploiting and promoting the series by such means and to such extent as Company may deem appropriate.

C. All costs, including production overhead, of accomodating the series for various distribution uses, including retitling, removing commercial material, dubbing for foreign distribution or otherwise altering or editing the series.

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D. All taxes (however denominated) assessed upon the negatives, duplicate negative, prints, tapes, or other materials relating to the series, or upon the use of distribution thereof, or upon revenues derived therefrom and/or the remittance thereof; and any and all sums paid or accrued on account of duties, customs and posts, costs of acquiring permits, "Kontingents" and any similar authority to secure the entry, licensing, televising or other use of the series in any country or part thereof. The deductible amount of any sums referred to in this subdivision (D) shall not be affected by the manner in which the same are treated by Company in its own income, franchise, excess profits or other tax returns.

E. All royalties and similar payments to manufacturers of sound equipment, cartridges, cassettes, etc. (not included in contingent deferments when earned, payroll taxes and fringe benefits) pursuant to collective bargaining agreements or other agreements by reason of any exhibition of the series or the exercise of any rights herein.

F. All costs of collecting Gross Receipts and transmitting same to the United States, including attorney's fees, auditing and checking costs, and costs of contesting taxes, charges and other expenses, with a view to reducing the same; and also including costs incurred in preventing unauthorized exhibitions of the series and collecting damages for copyright or other infringements thereof (net collections to be included in Gross Receipts).

4. Advertising and Publicity. Ruby-Spears Enterprises, a division of the Taft Entertainment Company, and Nintendo shall receive credit in advertising and publicity for the programs distributed. You shall submit all such advertising and publicity to us prior to release for our approval for the purpose of determining that such materials meet our legal requirements.

As you know, we are currently in production for the episodes slated for broadcast during the 1983-1984 broadcast season. Therefore please let me have your confirmation of the foregoing by signing the enclosed copy of this letter in the

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space provided below and return it to me in the self-addressed stamped envelope.

Very truly yours,

Harriet Beck

Harriet Beck

AGREED TO AND ACCEPTED:

UNIVERSAL CITY STUDIOS, INC.

By *Arnold Shane*

HB:js

cc: Irwin Russell
Karl Honeystein